But the encouragement to smuggling depends more on the proportion which the duty bears to the price of the commo­dity, than on the circumstance of the duty being absolutely high or low. To illustrate this principle, let us suppose, that a taxed commodity, as soap, costs, exclusively of duty, tenpence a pound. If a duty of a penny per lib. were laid on it, the inducement to smuggle would be equal to ten per cent. of the value of the article ; and if the duty were twopence, the inducement would be twenty per cent., and so on. Now let us suppose that the cost of producing the soap, or its natural price, falls to fivepence : a duty of a pen­ny per lib. would then make an inducement to smuggle of twenty per cent. of its value, and a duty of twopence would make an inducement of no less than forty per cent. And hence it is obvious, that, in order to prevent smuggling, a system should be adopted, precisely the reverse of that which is generally followed in the imposition of taxes. In­stead of making duties vary inversely as the price of com­modities, that is, instead of raising them when the cost of producing the articles on which they are laid is diminished, and reducing them when it is increased, they should be made to vary directly as this cost,—rising when it rises, and falling when it falls. Disproportionally heavy taxes are the great cause of smuggling ; and they have the further and most injurious effect of preventing its being corrected by its natural and proper punishment, the confiscation of the commodities. Recourse is, in consequence, had to extra­ordinary pains and penalties, and all proportion of punish­ment being done away, “ men who,” as Montesquieu ob­serves, “ can hardly be considered as culpable, must be punished as atrocious criminals.” (*Esprit des Loix,* liv. xiii. cap. 8.)

Certain commodities, from their greater bulk, from their susceptibility of being impressed with a permanent stamp, or from any other cause, are less liable to be smuggled than others, and may therefore be loaded with comparatively high duties. But as a general rule, it cannot be doubted, that, in order to prevent fraud, the duties should always be proportioned to the cost of the articles on which they are laid.

Sect. IV.—*comparative Productiveness of High and Low Taxes.*

The arguments adduced in the foregoing section are suf­ficient to establish the superior productiveness of moderate taxes. But the subject deserves to be treated at greater length ; and as the history of taxation, both in this and other countries, furnishes numerous, conclusive, and well- established proofs of the same principle, we shall take this opportunity to bring one or two of them under the notice of our readers. We shall class them under two different heads : the *first* consisting of instances in which a reduc­tion of duty has been followed by an increase of revenue ; and the *second,* of instances in which an increase of duties has been followed by a diminution of revenue.

1. The reductions made in the duties on tea in 1745 and 1784, strikingly evince the superior productiveness of low duties on articles in general demand. Previously to 1745, the excise duty of four shillings a pound on tea yielded, at an average, about L.150,000 a year ; showing, had there been no smuggling or adulteration, that the consumption was equal to about 750,000 pounds. But it was well known that smuggling was then carried to a great height, and that the real was much greater than the apparent consump­tion of tea. To put a stop to this clandestine importation, a bill was introduced into parliament in 1745, in pursuance of the recommendation of a committee of the House of Commons, and passed into a law, by which the excise duty of four shillings was reduced to one shilling, and twenty- five per cent. *ad valorem.* This measure was signally suc­cessful. In 1746, the year immediately subsequent to the reduction, the sales of tea for home consumption amounted to above *two millions* of pounds weight, and the revenue was increased to L.243,309. But to exhibit the effects of this wise and salutary measure in a still clearer point of view, we subjoin an account of the nett produce of the tea duties from 1743 to 1748 both inclusive.

In 1743 it amounted to L.l5l,959

1744 147,065

1745 145,630

1746 (duties reduced) 243,309

1747 257,937

1748 303,545.@@1

But notwithstanding this unanswerable demonstration of the superior productiveness of low duties, they were again increased in 1748 ; and fluctuated, between that epoch and 1784, from 64 to 119 per cent. *ad valorem.* The effects which followed this inordinate extension of the duties are equally instructive with those which followed their reduc­tion. The revenue was not increased in any thing like a corresponding proportion ; and as the use of tea had be­come general, smuggling was carried to an infinitely greater extent than at any former period. In the *nine* years pre­ceding 1780, above 118 millions of pounds weight of tea were exported from China to Europe in ships belonging to the continent, and about fifty millions of pounds in snips belonging to England. But from the best information at­tainable, it appears that the real consumption was almost exactly the reverse of the quantities imported ; and that, while the consumption of the British dominions amounted to above thirteen millions of pounds a year, the consumption of the continent did not exceed five and a half millions. If this statement be nearly correct, it follows that an an­nual supply of about *eight* millions of pounds must have been clandestinely imported into this country, in defiance of the revenue officers. But this was not the worst effect of the high duties ; for many of the retail dealers who purchased tea at the East India Company’s sales, being in a great measure beaten out of the market, were, in order to put themselves in a condition to stand the competition of the smugglers, tempted to adulterate their teas, by mix­ing them with sloe and ash leaves.@@2 At length, in 1784, ministers, after having in vain tried every other resource for the suppression of smuggling, resolved to follow the pre­cedent of 1745, and reduced the duty on tea from 119 to 12.1/2 per cent. This measure was as successful as the for­mer. Smuggling and the practice of adulteration were im­mediately put an end to. The following statement shows that the *quantity* of tea sold by the East India Company was about *trebled* in the course of the *two* years immediate­ly following the reduction.

In 1781, the quantity of tea sold at the East India Com­pany’s sales amounted to 5,023,419 pounds.

1782 6,283,664 ...

1783 5,857,883 ...

1784 (duties reduced) 10,148,257 ...

1785 16,307,433 ...

1786 15,093,952 ...

1787 16,692,426@@’ ...

While the quantity of tea sold at the Company’s sales was thus rapidly augmenting in consequence of the reduc­tion of the duty, the quantity of tea imported into the con-

@@@, Hamilton’s Principles of Taxation, Appendix, No. 19 ; and Postletbwaite’s History of the Revenue, p. 293.

@@@, Macpherson’s Commerce with India, p. 208. Milburn’s Oriental Commerce, vol. ii. p. 540.

@@@3 Macpherson’s Commerce with India, p. 416.